

20 August 2009

Hon. Rob Cline
Mayor City of Scottsville
and Members of City Council
Hon. Mark Huntsman
Hon. Ken Goforth
Hon. Franklin Foster
Hon. David Huntsman
Hon. Johnny Bewley
City County Building
Scottsville, KY 42164

In Re: Water Purchase Contract, dated 04/17/2000
 between the Allen County Water District and
 the City of Scottsville - Increase in Wholesale
 Water Rates by Glasgow Water Company

Dear Rob, Mark, Ken, Franklin, David and Johnny:

By reason of the Allen County Water District's Notice of Purchase Water Adjustment Rate which appeared in *The Citizen Times* on June 24, 2009, you are no doubt aware that the Glasgow Water Company increased its wholesale water rates to the Allen County Water District. The Allen County Water District absorbed the wholesale increase for the period July 1, 2008 until June 30, 2009. The Allen County Water District was unable to absorb the increase effective July 1, 2009. KRS 278.015 allows a Water District to increase its rate to its customers commensurate with the increase in rates by the wholesale supplier.

Therefore, the Allen County Water District will, effective September 1, 2009, increase its wholesale rate to the City of Scottsville from \$2.34 per one thousand gallons to \$3.31 per one thousand gallons. The wholesale increase to the City of Scottsville was determined as shown in the calculations contained in the enclosed schedule.

Enclosed herewith is a proposed amendment to the Water Purchase Contract entered into between the Allen County Water District and City of Hon.

Robbie Cline, et al
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20 August 2009

Scottsville, Kentucky, dated April 17, 2000. Please sign this amendment and return to us so that we can submit it to the Public Service Commission of Kentucky for its approval.

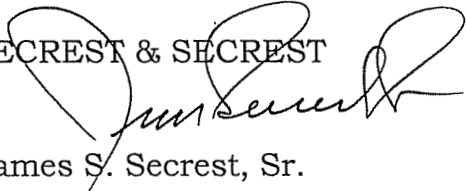
For your information, the Public Service Commission has approved the Allen County Water District's increase in rates to its retail customers to reflect the increase in the wholesale rate it pays to the Glasgow Water Company.

If you have any questions or need more information, please let us know.

Thank you.

Yours truly,

SECRET & SECRET



James S. Secrest, Sr.

JSS:cbr

cc: Hon. Kelly D. Powell
ACWD
Mr. Carlos Miller, P.E.
Hon. Bobby Young
Hon. William P Hagenbuch

Enclosures:

Notice which appeared in The Citizen Times
Calculations determining new Wholesale Rate
Amendment to Contract



City of Scottsville

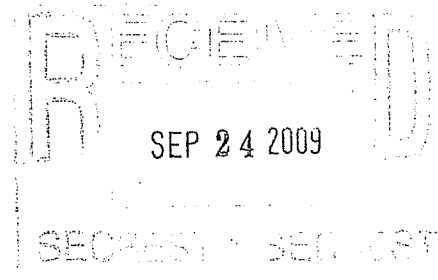
Dr. Franklin Foster
Ken Goforth
Johnny Bewley

Rob H. Cline, Mayor

David Dinwiddie
Dr. Mark Huntsman
David Huntsman

September 21, 2009

Allen County Water District
P. O. Box 58
Scottsville, KY 42164



Gentlemen and Ladies:

This is to officially notify you that the wholesale rate for water purchased by Allen County Water District from the City of Scottsville will be increased to a rate of \$3.31 per 1000 gallons effective October 1, 2009.

This rate has not been increased since May 1992 and is necessitated by the increased cost of water system operations.

Sincerely

A handwritten signature in cursive script that reads "Rob H. Cline".

Rob H Cline
Mayor, City of Scottsville

3. ³¹
per [Signature]

ALLEN COUNTY WATER DISTRICT

DETERMINATION of WHOLESALE RATE to SCOTTSVILLE ON HWY 100

PROJECT NO. 2009110

JULY, 2009

EXHIBIT 1

WATER SUPPLY TO SCOTTSVILLE - HWY 100
SCOTTSVILLE'S PROPORTIONATE PERCENTAGE SHARE OF COST
(DATA: JAN. - DEC. 2008)

1. Glasgow WTP to Hwy 98 Tank

Total ACWD Water Sold ⁽¹⁾	274,897,000 Gallons
Total Scottsville Purchases	23,315,000 Gallons

$$\text{Scottsville's Proportionate Share} = \frac{23,315,000}{274,897,000} = 0.0848$$

2. Hwy 98 Tank to Hwy 1421 Tank

Total Pumped Through Maysville Road P.S.	157,871,000 Gallons
Total Sold to Scottsville	23,315,900 Gallons

$$\text{Scottsville's Proportionate Share} = \frac{23,315,000}{157,871,000} = 0.1477$$

⁽¹⁾ Excluding direct purchases from Glasgow and Hwy 31-E customers for Jan. - Dec. 2008

TOTAL ACWD SOLD WATER	290,593,000 GALS.
LBSS: GLASGOW CUSTOMERS	(-) 8,391,200
31E CUSTOMERS	(-) 7,304,800
	274,897,000

EXHIBIT 2

DEBT SERVICE FOR PHASE 4 PROJECT

	Const. Cost	%	Non- Const.	Total	Proportionate Debt Service & Coverage
Contract 1					
Lines (ACWD)	1,261,328	80.0	225,520	1,486,848	32,647
Lines (Jointly Used)	100,009	6.0	16,914	116,923	2,567
Pump Station (Maysville Rd.)	50,087	3.1	8,739	58,826	1,292
Hwy 100 M.M.	6,641	0.4	1,128	7,769	171
Contract 2 - Hwy 1421 Tank	143,908	9.1	25,653	169,561	3,723
Contract 3 - Telemetry	21,827	1.4	3,946	25,773	566
	<u>\$1,583,800</u>	<u>100.0</u>	<u>\$281,900</u>	<u>\$1,865,700</u>	<u>\$40,966</u>
	281,900				
	<u>\$1,865,700</u>				

EXHIBIT 3

PHASE 6 CONSTRUCTION COST

1. HWYS 252/31-E to HWY 98 Tank

12" PVC SDR21	27,364 LF @ \$8.50	232,594
12" PVC SDR17	21,220 LF @ \$9.90	210,078
12" DI	14,930 LF @ \$15.00	223,950
12" Gate Valve	30 EA @ \$1,075	32,250
Bore & Case for 12" Pipe	780 LF @ \$95	74,100
Open Cut for 12" Pipe	350 LF @ \$38	13,300
12" Creek Crossing	280 LF @ \$45	12,600
Free Bore for 12" Pipe	146 LF @ \$25	3,650
Fire Hydrant	3 EA @ \$1,650	4,950
Crushed Stone Paving	794 LF @ \$2.00	1,588
Bituminous Paving	105 LF @ \$20.00	2,100
Final Pipeline Cleanup	63,514 LF @ \$0.50	31,757
1" Air & Vacuum Valve	7 EA @ \$500	3,500
Locking Gaskets for 12" DI	13 EA @ \$85.00	1,105
Creek Crossing Test Meter	3 EA @ \$500	1,500
12" x 12" TS & V	1 EA @ \$2,800	2,800
		<hr/>
		\$851,822.

2. HWY 98 Tank to Maysville Rd. Pump Station

10" PVC, SDR-21	10,419 LF @ \$6.90	\$71,891
10" Gate Valve	3 EA @ \$875	2,625
10" Creek Crossing	30 LF @ \$45	1,350
1" Air & Vacuum Valve	2 EA @ \$500	1,000
10" x 10" TS & V	2 EA @ \$2,200	4,400
Crushed Stone Paving	130 LF @ \$2	260
Final Pipeline Cleanup	10,419 LF @ \$0.50	5,209
		<hr/>
		\$86,736

EXHIBIT 4

ANNUAL OPERATION AND MAINTENANCE COST

<u>GLASGOW MASTER METER TO HWY 1421 TANK</u>	<u>INCH-MILES</u>
12" DI Main from Master Meter to HWY 252 12" x 3.56 miles =	42.72
12" Main from HWY 252 to HWY 98 Tank 12" x 12.02 miles =	144.24
10" Main from HWY 98 Tank to Maysville Rd. P.S. 10" x 2.84 miles =	28.40
Maysville Rd. P.S. to HWY 1421 Tank 8" x 3.86 miles =	30.88
	<hr/> 246.24

Total System Inch-Miles (2008 Annual Report) = 2556.2
 Total Trans. & Dist. Expense less Electrical Power = \$137,797
 Cost per Inch-Mile = $\$137,797 \div 2556.2 = \53.91

Trans. & Dist. Cost from Glasgow Master Meter to HWY 98 Tank
 $(144.24 + 42.72) \$53.91 = \$10,079$
 Trans. & Dist. Cost from HWY 98 Tank to HWY 1421 Tank
 $(28.40 + 30.88) \$53.91 = \$3,196$

31-E Pump Station Estimated \$2000

Administration & General Expense (Data from 2008 Annual Report, \$546,748)

Allocated to Trans. & Dist. = $\$137,797 \times \$546,748 = \$83,202$
 905,501

EXHIBIT 5

PHASE 6 DEBT SERVICE

	CONST. COST	ENG. & INSP.	PROJECT COST (2)	INTEREST & LEGAL	TOTAL PROJECT COST	DEBT SERVICE PLUS COVERAGE ⁽³⁾
1. Barren Co. Trans. Line	642,704	10,000 ⁽¹⁾	652,704	10,077	662,781	29,039
2. Glasgow M.M. to HWY 252 (Scottsville Trade)	472,575	10,000 ⁽¹⁾	482,575	7,450	490,025	21,470
3. HWY 252 to HWY 98 Tank (Ex. 3)	851,822	108,781	960,603	14,830	975,433	42,738
4. Telemetry	15,650	—	15,650	242	15,892	696
5. HWY 98 Tank to Maysville Rd. P.S. (Ex. 3)	86,736	11,077	97,813	1,510	99,323	4,352
6. Facilities Not Jointly Used	139,343	17,795	157,138	2,426	159,564	6,991
7. 31-B.P.S.	110,000	14,047	124,047	1,915	125,962	5,519
8. Left over Monies from Project Funding	589,912	—	589,912	9,108	599,020	26,247
	2,908,742	171,700	3,080,442	47,558	3,128,000	\$137,052

(1) Extra engineering over a period of six years regarding the negotiations of Items 1 & 2

(2) Project Cost less interest (\$23,558) and legal (\$24,000) to be proportioned to each cost element.

(3) Based on 1999 Rural Development Bond Issue of \$1,988,000 at 4 3/4%. D.S. (\$114,210) + Coverage (\$22,842) = \$137,052

EXHIBIT 6

SUMMARY OF DEBT SERVICE
(Reference Exhibit 5)

ITEM	CONST. COST	PROPORTIONATE DEBT SERVICE INCL. COVERAGE
1. Barren Co. Transmission Line ⁽¹⁾	642,704	\$29,039 ⁽³⁾
2. Transmission Main from Glasgow MM to Hwy 252/31-E (Scottsville Trade)	472,575	21,470 ⁽³⁾
3. 31-E Pump Station	110,000	5,519 ⁽³⁾
4. Hwy 252/31-E to Hwy 98 Tank	851,822	42,738 ⁽³⁾
5. Hwy 98 Tank	283,900 ⁽⁴⁾	18,911 ⁽²⁾
6. Telemetry (31-E P.S. to Hwy 98 Tank)	15,650	696 ⁽³⁾
7. Phase 6: Hwy 98 Tank to Maysville Rd. P.S.	86,736	4,352 ⁽³⁾
8. Phase 4: Hwy 98 Tank to Maysville Rd. P.S. 4600 LF @ \$8.00	36,800	2,247 ⁽²⁾
9. Maysville Rd. to Hwy 1421 Tank (Ex. 2)		
9.1 Lines	100,009	2,567
9.2 Pump Sta.	50,087	1,292
9.3 Telemetry	21,827	566
9.4 Hwy 1421 Tank	143,908	3,723
9.5 Hwy 100 MM	6,641	171

⁽¹⁾ Constructed by Glasgow and paid for by ACWD

⁽²⁾ Based on 1994 Rural Development Bond Issue at 4 1/2%

⁽³⁾ See Exhibit 5

⁽⁴⁾

Tank Construction	\$237,300
Engineering Design	25,700
Const. Inspection	<u>20,900</u>
	\$283,900

EXHIBIT 7

BREAKDOWN OF DEPRECIATION
FOR
JOINTLY USED FACILITIES

	<u>LOCATION</u>	<u>COST BASE</u>	<u>AVERAGE LIFE</u>	<u>ANNUAL DEPRECIATION</u>
1.	Barren County Transmission Pipeline	\$642,704	50	12,854
2.	Glasgow M.M. to Hwy 252 Pipeline	472,575	50	9,452
3.	Hwy 252 to Hwy 98 Tank Pipeline	851,822	50	17,036
4.	Telemetry (31-E P.S. to Hwy 98 Tank)	15,650	15	1,043
5.	31-E Pump Station	110,000	20	5,500
6.	Hwy 98 Tank	237,300	50	4,746
7.	Hwy 98 Tank to Maysville Rd. P.S. Pipeline	86,736	50	1,735
8.	Hwy 98 Tank to Maysville Rd. P.S. Pipeline	36,800	50	736
9.	Maysville Rd. P.S. to Hwy 1421 Tank			
	9.1 Pipelines	100,009	50	2,000
	9.2 Pump Station	50,087	20	2,504
	9.3 Telemetry	21,827	15	1,455
	9.4 Hwy 1421 Tank	143,908	50	2,878
	9.5 Hwy 100 M.M.	6,641	30	221

EXHIBIT 8
WATER SUPPLY TO SCOTTSVILLE - HIGHWAY 100
WHOLESALE RATE DETERMINATION

1. Glasgow WTP to Highway 1421 Tank

<u>Item</u>	<u>Debt Service</u>	<u>O & M</u>	<u>Depreciation</u>	<u>Electrical Cost</u>	<u>Total Cost</u>	<u>Allocation Factor</u>	<u>Allocated Cost</u>
Glasgow WTP to Hwy.							
98 Tank	118,373 ⁽¹⁾	10,079 ⁽⁴⁾	50,631 ⁽¹⁰⁾	30,231 ⁽⁷⁾	209,314	.0848	\$17,750
Hwy. 98 Tank to Hwy.							
1421 Tank	14,747 ⁽²⁾	3196 ⁽⁴⁾	11,308 ⁽¹¹⁾	14,489 ⁽³⁾	43,740	.1477 ⁽¹³⁾	6,460
Hwy. 100 M.M.	171 ⁽³⁾	350 ⁽⁶⁾	221 ⁽¹²⁾	—	742	1.0	742
31-B Pump Station		2,000 ⁽⁵⁾			2,000	.0848	170
Admin. & General					83,202 ⁽⁴⁾	.0802 ⁽⁹⁾	6,673
							<u>\$31,795</u>

Pumping and Transmission Rate = $\$31,795 \div 23,315 = \1.36
 Glasgow Water Purchase Rate

TOTAL WHOLESALE RATE $\$3.31$ per 1,000 gallons

⁽¹⁾ Ex. 6 Items 1-6

⁽²⁾ Ex. 6 Items 7, 8, 9.1-9.4

⁽³⁾ Ex. 6 Item 9.5

⁽⁴⁾ See Exhibit 4

⁽⁵⁾ Estimated Maintenance

⁽⁶⁾ Master Meter Maintenance Estimated

⁽⁷⁾ 2008 Cost

⁽⁸⁾ 2008 Cost

⁽⁹⁾ $23,315$ (Scottsville Water) $\div 290,593$ (Total Sales) $\div .0802$

⁽¹⁰⁾ Exhibit 7, Items 1-6

⁽¹¹⁾ Exhibit 9, Items 7-9.4

⁽¹²⁾ Exhibit 7, Item 9.5

⁽¹³⁾ $157,871$ M Gals (pumped thru Maysville Rd P.S.) $\div 23,315$ M Gals (Scottsville Purchased Water) = 0.1477